

Message Text

CONFIDENTIAL

PAGE 01 TOKYO 15570 300955Z

17 11
ACTION EA-14

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08

CEA-02 INT-08 SCEM-02 DRC-01 /142 W
----- 123636

R 300900Z NOV 73
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 8485
INFO AMEMBASSY JAKARTA

C O N F I D E N T I A L TOKYO 15570

EO 11652: GDS
TAGS: ENRG ETRD EFIN JA ID
SUBJ: INDONESIAN LNG

SUMMARY: JAPAN AND INDONESIA EXPECTED TO ANNOUNCE, ON
DEC 3, AGREEMENT COVERING SALE OF 7.5 MILLION TONS OF
LNG PER YEAR FOR 20 YEARS. GOJ WILL EXTEND \$700 MILLION IN
CREDITS FOR LIQUEFACTION FACILITIES, BUT CREDIT AGREEMENT
WILL BE ANNOUNCED LATER WHEN PM TANAKA VISITS JAKARTA. AGREE-
MENTS WILL APPARENTLY NOT AFFECT EXISTING CONTRACT BETWEEN
PERTAMINA AND PACIFIC LIGHTING. END SUMMARY.

1. ACCORDING TO SEVERAL TOKYO SOURCES, JAPANESE ARE EXPECTED
TO CONCLUDE AGREEMENT WITH PERTAMINA ON DEC 3 FOR PURCHASE
OF 7.5 MILLIONS TONS OF LNG PER YEAR FOR TWENTY YEAR PERIOD.
AGREEMENT, IF IT MATERIALIZES ON SCHEDULE, WILL CLIMAX NEARLY
A YEAR OF INTENSE NEGOTIATIONS BETWEEN JAPAN AND INDONESIA--
NEGOTIATIONS WHICH INVOLVED HIGHEST POLITICAL LEVELS ON BOTH
SIDES, AND SAW STRONG COMPETITION BETWEEN U.S. AND JAPAN FOR
THE RESOURCES.

2. NOBUKATSU MURAKAMI, ASSISTANT MANAGER OF BUSINESS DEV.
DEPT. OF THE INDUSTRIAL BANK OF JAPAN, TOLD EMBOFF NOV 29
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 TOKYO 15570 300955Z

THAT JAPANESE WOULD EXTEND APPROXIMATELY \$700 MILLION IN

LOANS TO INDONESIA TO FINANCE NECESSARY LIQUEFACTION

EQUIPMENT FOR LNG PROJECT. OF THIS AMOUNT, HE SAID THAT ABOUT \$150 MILLION WOULD BE IN SOFT YEN CREDITS (3 PERCENT OVER 25 YEARS WITH SEVEN YEARS GRACE) AND WOULD BE "GENERALLY UNTIED".

3. S. SARWONO, VICE PRESIDENT OF (PERTAMINA AFFILIATED) FAR EAST OIL TRADING CO., ADDED TO ABOVE THAT EXPECTED DEC 3 AGREEMENT WOULD ONLY BE SALES AGREEMENT BETWEEN PERTAMINA AND DELEGATION REPRESENTING FIVE MAJOR JAPANESE CONSUMERS OF THE LNG, WHICH IS NOW IN JAKARTA. ALTHOUGH MITI ENERGY ADVISOR, MOROZUMI, IS ALSO IN JAKARTA UNTIL NOV 30 DISCUSSING CREDIT ARRANGEMENTS, SARWONO SAID FORMAL CREDIT AGREEMENT WILL NOT BE SIGNED UNTIL PM TANAKA'S VISIT TO JAKARTA IN EARLY JANUARY. ALTHOUGH MURAKAMI NOTED ABOVE THAT GOJ PREPARED TO OFFER GOI \$150 MILLION IN SOFT LOAN CREDITS, SARWONO SAID GOI WAS PRESSING FOR \$200 MILLION.

4. SARWONO ALSO NOTED MOST RECENT PRIVATE-LEVEL NEGOTIATIONS HAD FOCUSED ON PRICE ISSUE. ALTHOUGH ORIGINAL C.I.F. PRICE SET BY INDONESIA LAST SPRING WAS 95 CENTS PER MBTU, AT Y308/\$1 (\$1.04 AT PRESENT Y280/\$1), PRICE WOULD BE CONSIDERABLY HIGHER THAN THIS IN VIEW OF RECENT OIL PRICE TRENDS. SARWONO SAID HE COULD NOT SPECIFY PRICE UNTIL IT ANNOUNCED ON DEC 3; HOWEVER, OTHER WELL-INFORMED SOURCES TELL EMBASSY THAT IT WILL BE IN RANGE OF \$1.30/MBTU WITH SUBSTANTIAL ESCALATION CLAUSE.

5. SARWONO SAID JAPANESE CREDITS WOULD FINANCE ALL OF KALIMANTAN LNG FACILITIES, ESTIMATED TO COST \$300 MILLION. REMAINDER OF JAPANESE CREDITS, TOGETHER WITH WHAT SARWONO EXPECTED WOULD BE \$300 MILLION IN CREDITS FROM US EXIMBANK WOULD FINANCE NORTH SUMATRA LNG EQUIPMENT. APPARENTLY ALL JAPANESE SOFT LOANS WILL BE USED IN CONNECTION WITH N. SUMATRA PROJECT.

6. ACCORDING SARWONO, AGREEMENTS WITH JAPANESE WILL NOT AFFECT PREVIOUSLY CONCLUDED CONTRACT BETWEEN PERTAMINA AND (U.S.) PACIFIC LIGHTING FOR 3.8 MILLION TONS OF LNG PER YEAR. IT CLEAR FROM OTHER SOURCES, INCLUDING ECONCOM/MIN'S RECENT DISCUSSION WITH DIRGEN OF FONOFF ECONOMIC COOPERATION BUREAU, MIKANAGI, THAT CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TOKYO 15570 300955Z

UP UNTIL CONCLUSION OF AGREEMENT, JAPANESE HOPED TO OBTAIN AS MUCH AS 9.7 MILLION TONS PER YEAR OF LNG. BECAUSE OF THE EXISTING CONTRACT WITH PACIFIC LIGHTING, AND UNCERTAINTY ABOUT EXTENT OF RESOURCES, INDONESIANS AGREED TO TAKE "APPROPRIATE MEASURES" TO EXPAND THE SUPPLY OF LNG TO MEET JAPANESE DEMAND.
SHOESMITH

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LPG, CREDIT GUARANTEES, BANK LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973TOKYO15570
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: TOKYO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t1973111/aaaaaafu.tel
Line Count: 114
Locator: TEXT ON-LINE
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 19 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19-Nov-2001 by willialc>; APPROVED <19-Dec-2001 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INDONESIAN LNG SUMMARY: JAPAN AND INDONESIA EXPECTED TO ANNOUNCE, ON
TAGS: ENRG, ETRD, EFIN, JA, ID
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005